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SUBJECT: UNIFICATION MINISTER CLAIMS RICE AID TO DPRK CAN
BE SLOWED

Classified By: Amb. Alexander Vershbow. Reasons 1.4 (b/d)

11. (C) SUMMARY: In a May 16 meeting with the Ambassador, Unification Minister Lee Jae-joung expressed enthusiasm about the planned May 17 inter-Korean railways tests calling them a first step toward restoring peace to the Korean Peninsula. Lee said that inter-Korean dialogue and Six-Party Talks (6PT) were mutually complementary and insisted that there were no differences between U.S and ROK approaches toward North Korea. Seoul appreciated USG flexibility and patience in the 6PT process and hoped that the USG would make one final push to put the Banco Delta Asia (BDA) issue behind us. The ROKG had used inter-Korean channels to tell the DPRK that significant reconciliation could not occur separate from the February 13 "Initial Actions" agreement. Seoul is planning to start shipments of 400,000 metric tons of rice aid to North Korea in late May, but, Lee said, deliveries would take three to four months and the pace could be further regulated depending on progress in the 6PT.

12. (C) The Ambassador said the USG appreciated the significance of the one-time tests of the railways, and hoped that interactions between North and South Koreans could be broadened. ROKG goals in inter-Korean channels were similar to our joint efforts in the 6PT: denuclearization, normalization and economic cooperation. It was important to send a unified message to North Korea on our common objectives. The USG welcomed the ROKG's ability to regulate the pace of inter-Korean assistance; we needed to husband our limited leverage to keep the DPRK to its commitments. The USG had exercised patience on BDA, but now the Six Parties needed to move onto the next phase of DPRK denuclearization.
END SUMMARY.

INTER-KOREAN RAIL TESTS

13. (C) On May 16, Unification Minister Lee Jae-joung remarked to the Ambassador that he viewed the planned May 17 inter-Korean railways test runs as the first step toward ushering in an era of peace on the Korean Peninsula, something that would also help our common objective of DPRK denuclearization. Lee said that this event would not have been possible without close U.S.-ROK cooperation and efforts in the Six-Party Talks (6PT). He planned to ride on the northbound train along the western corridor from Munsan Station in the South and Kaesong Station in the North, along

with other ROK dignitaries including his immediate predecessor Unification Minister Lee Jong-seok, former Unification Minister Lim Dong-won, and ROK Vice Construction Minister Lee Chun-hee. (NOTE: According to press reports, ROK Construction Minister Lee Yong-sup and Vice Unification Minister Shin Un-sang, among others, will ride on the southbound train from Mt. Kumgang in the North to the South's Jejin Station. Former Unification Minister Chung Dong-young will reportedly not participate, in part because he is a "politician related to the (ROK) presidential election." END NOTE.)

14. (C) The Ambassador commented that the USG appreciated the significance of the historic test runs and was interested to see how the inter-Korean project evolved. This was a first step, but movement toward more regular exchanges between the peoples of North and South Korea would be something that we would all like to see.

NORTH-SOUTH COOPERATION

15. (C) The Ambassador stated that USG and ROKG objectives in the 6PT were similar to what the ROKG was trying to achieve in its North-South channel: denuclearization, normalization, and economic and humanitarian cooperation with North Korea. Inter-Korean talks and the 6PT were two sides of the same coin. Despite rampant press speculation about potential differences, and regardless whether one used the term "synchronization" or "half-step behind," the latter being a ROKG term, both sides agreed we should send a unified message to North Korea about our shared objectives.

16. (C) Lee asserted that press reports were nothing more than press speculation and that there were no differences in USG and ROKG approaches to North Korea. He still believed that North-South dialogue and the 6PT were mutually complementary and needed to support each other. The ROKG remained fully committed to the 6PT process and maintained the goal of peace and denuclearization on the Peninsula; the two goals went hand in hand. For the past three months, following the February 13 "Initial Actions" agreement, the ROKG had tried to regularize inter-Korean relations. At every opportunity, Red Cross talks, Economic Cooperation Promotion Committee talks, Ministerial talks, and General Officer-level military talks, the ROKG emphasized the importance of DPRK denuclearization and that without implementation of the 2/13 agreement, significant inter-Korean reconciliation could not materialize.

17. (C) Lee continued that on May 15 he presided over a meeting of the Inter-Korean Exchange and Cooperation Committee, an interagency body, that officially endorsed the spending of funds for 400,000 metric tons of rice (some USD 170 million) and USD 80 million worth of raw materials for light industries to North Korea. Lee reported that the committee reached the understanding that before the entire rice package was provided, the DPRK needed to implement the 2/13 agreement. The delivery of some 150,000 tons of domestic rice and 250,000 tons of imported rice is projected to take three to four months. Even if the rice shipments began in late May, they would not be completed until late August or September. Therefore, the ROKG would be able to regulate the pace of the deliveries if the DPRK failed to live up to its 6PT obligations.

18. (C) Lee recalled that the two Koreas planned to hold the 21st round of ministerial talks May 29 - June 1 in Seoul to plan the next three months of inter-Korean cooperation. The talks would discuss economic cooperation projects and humanitarian assistance, and the ROKG would try to advance an institutional framework for further dialogue. As with all inter-Korean talks, Lee said, he would seek to support the Six-Party process.

19. (C) The Ambassador said he understood the value of regularizing inter-Korean contacts. Recent efforts that were

required for a one-time railway test were indicative of how hard it was to have to start from scratch each time. The railway tests would be symbolic, but he hoped to see real interaction between North and South Koreans. He appreciated the Minister's words about the need to link rice aid with 2/13 implementation and the ROKG's ability to regulate the speed of rice deliveries. This was important because we needed to husband our limited leverage to get the DPRK to meet its obligations. The ROKG's decision last year to suspend rice assistance to North Korea became a symbol of ROKG resolve on the DPRK nuclear issue. While rice aid might have assumed more importance than it warranted, political reality and symbolism would need to be considered in proceeding with rice deliveries.

BDA AND 6PT

¶10. (C) The Ambassador noted that the USG had been patient on the BDA issue, even when the DPRK kept changing the goalposts from resolving the BDA case to transferring funds from BDA to transferring funds electronically. The USG still took the DPRK at its word that it would shutdown its Yongbyon facilities once the BDA issue was resolved. More importantly, we needed to get beyond Phase I of the 2/13 agreement and to the next stage. The DPRK had wasted valuable time, and because of its obsession with BDA had delayed the heavy fuel oil it stood to receive and the Six-Party Foreign Ministerial meeting which could have helped advance the process.

¶11. (C) Asked whether recent DPRK actions indicated that it valued inter-Korean relations more than the 6PT process, Lee replied that he thought the DPRK priority remained improving relations with the United States. This was a higher priority for Pyongyang than even the 6PT. He assessed that the DPRK recognized that it had no real future without normalization

of relations with the United States and looked to U.S.-Vietnam relations as a model. Last year when the ROKG suspended rice aid following the DPRK missile launches and nuclear test, the DPRK halted North-South relations entirely. This showed how little leverage the ROKG had with the North and how little Pyongyang cared about Seoul.

¶12. (C) One way to resolve the sanctions-as-leverage problem was to begin genuine dialogue and cooperation to get changes in the DPRK, Lee opined. He had always been supportive of greater U.S.-DPRK dialogue and had used his exchanges with DPRK interlocutors to insist that the North had better use its window of opportunity with the current U.S. administration before time ran out; implementation of 2/13 and progress in the 6PT was more important than BDA. Lee said he was personally appreciative of USG efforts to resolve BDA, particularly those of Assistant Secretary Hill and the Ambassador, and hoped the USG would make one final push to conclude the BDA issue.

INTER-KOREAN SUMMIT?

¶13. (C) The Ambassador said that a decision to hold an inter-Korean summit was a matter to be settled by the two Koreas. Still, the USG hoped that given our common goals of denuclearization and peace on the Peninsula that the ROKG would keep the USG posted to avoid any surprises.

¶14. (C) Lee insisted that the ROKG had no concrete plans or project at this time despite press speculation. In his view, a North-South summit could be a tool to help improve inter-Korean reconciliation. Asked about North Korean interest in a summit, Lee said he did not know DPRK thinking on a summit. Seoul and Washington had maintained a key alliance for fifty years, and the two capitals were friends and partners. The ROKG would not want to surprise the USG. In that vein, Seoul hoped that the USG would also not do

anything too surprising in terms of U.S.-DPRK relations
without consulting with the ROKG.

COMMENT

¶15. (C) Unification Minister Lee clearly hopes that the BDA issue will be resolved in time to allow the ROKG to send rice assistance to North Korea without too much diplomatic fallout. In late March 2007, the ROKG started a "three-month" delivery of 300,000 tons of fertilizer aid to North Korea and claimed to Post that the aid could be terminated if the DPRK failed to fulfill its denuclearization commitments. Despite the 6PT standstill, the ROKG during April 18-22 inter-Korean economic talks agreed to start rice deliveries, but not until "late May," again in the hope that the DPRK would have completed its 2/13 commitments by that time. Two months later, the ROKG is planning to start a three-to-four month delivery of 400,000 tons of rice aid, claiming that it can regulate the pace of delivery if needed. Should the 6PT remain stalled over the BDA issue, however, the ROKG, as it did with fertilizer aid, is likely to slowly begin rice shipments and pray that political reality catches up to its hopes. END COMMENT.
VERSHBOW